



**National
Foreign
Assessment
Center**

Secret

25X1

Latin America Review

18 January 1979

SOURCED

State Dept. review completed

Secret

*RP LAR 79-003
18 January 1979*

Copy

Page Denied

SECRET



25X1

LATIN AMERICA REVIEW



25X1

18 January 1979

CONTENTS

Peru: Aftermath of the General Strike . 1

25X1

The virtual collapse of a leftist-led general strike has enhanced the authority of the military junta and will aid its efforts to restore civilian rule. Underlying problems will, however, continue to pose intermittent difficulties.



Cuba-Angola: Growing Civilian Assistance Program 4

Nearly three dozen new cooperation agreements covering Cuban economic and technical assistance to Angola for 1979 indicate there will be a substantial boost in the Cuban civilian presence, although second thoughts on the part of Angolan leaders may keep the increase from reaching the levels originally planned.



Jamaica: Opposition Protests . . . 7

The demonstrations in Jamaica last week initiated a well-organized opposition campaign of civil disobedience that could lead to an early election and a change of government later this year.



FOR THE RECORD: Brazil; Chile . . .12



SECRET

SECRET

25X1

25X1

Peru: Aftermath of General Strike

25X1

1, 2
The government last week faced its first challenge of the new year and emerged victorious when a three-day general strike virtually collapsed. As a result, the authority of the military junta, which went to some lengths to blunt the strike effort, has been enhanced, while the position of the left, which called the strike, is clearly weaker. This outcome will aid the government as it continues working to restore civilian rule, but underlying problems remain and will pose intermittent difficulties.

1, 2
Urged on by several other leftist groups, including the Peruvian Communist Party, the Moscow-line Confederation of Peruvian Workers (CGTP) issued the strike call in December, hoping to capitalize on growing discontent over rising prices. The strike, however, never really got off the ground. Relatively few workers stayed off the job, and there was little public support. Strike leaders formally called off the action on the third day.

Several factors contributed to the failure of the strike:

- 3, 4
- Leftist labor leaders disagreed from the outset as to the wisdom of a strike.
 - It was pushed by the smaller, more radical groups, while officials of the CGTP--Peru's most influential leftist labor organization--were reluctant to go along and finally did so with little hope of success.
 - Moderate labor groups, notably those linked to the Popular Revolutionary Alliance (APRA), the country's largest political party, refused to participate. These unions, which have generally supported the government, actually reached a separate deal with the regime and formally denounced the general strike.

18 January 1979

SECRET

SECRET

-- Before the strike got under way, the government cracked down on strike leaders, declared a state of emergency, and suspended certain constitutional guarantees. [REDACTED]

25X1

3,4 But the key to the strike's failure probably lies more in the public's attitude toward the economic situation than in other factors. Last year, a similar strike call to protest economic austerity measures united Communist and non-Communist unions alike in disruptive demonstrations that resulted in 30 deaths and numerous injuries. Since then, however, the austerity program has been applied more gradually, making it a more difficult political target. In addition, the government has succeeded in rescheduling foreign debt, inflation has slowed slightly, and a positive trade balance was reported for last year. Apparently, the left badly miscalculated the degree of economically based discontent among Peru's workers and failed to perceive the general acceptance--albeit grudging--of current economic policies. [REDACTED]

25X1

3,4 Even if successful, the strike would not necessarily have threatened the process of restoring civilian rule. Its failure, however, places the government in a better position--at least for now--to continue that process. The firm handling of the situation undoubtedly pleased those officers who in the past have criticized the government for what they viewed as its indecisive response to labor unrest. The setback for the left is also bound to encourage military men who had been apprehensive of the left's ability to sow dissension. In fact, strains between the CGTP and the more extreme groups that urged the strike may inhibit the left's effectiveness for some time to come. [REDACTED]

25X1

1,2 The nonparticipation of the moderate unions has strengthened the government's relationship with APRA, which stands the best chance of winning an open election. Moreover, having just faced down the most militant unions, the regime will not soon have to cave in to wage demands that would have undermined its crucial agreements with the IMF for debt-service help. Overall, the government's confidence in its ability to deal with Peru's problems has undoubtedly risen considerably. [REDACTED]

25X1

18 January 1979

SECRET

25X1

Cuba-Angola: Growing Civilian Assistance Program

25X1

5 We expect that the Cuban civilian presence in Angola will increase this year despite a claim to the contrary reportedly made by the Cuban Ambassador in Luanda. The increase, however, may not reach the levels originally planned.

4 2A Angola's former Second Deputy Premier Rocha came to Havana last November and signed 35 cooperation agreements covering Cuban economic and technical assistance to Angola for 1979. These agreements call for Cuba to boost its nonmilitary technical personnel from the present level of some 7,000 to 10,700. The civilians will be in addition to the estimated 19,000-20,000 Cuban military personnel presently stationed in Angola.

25X1

2A On returning to Luanda, however, Rocha was removed from his government post, allegedly for having agreed to such a dramatic rise in the Cuban presence. There are indications that President Neto is planning a trip to Cuba soon, possibly in an attempt to disentangle Luanda from the agreements. His visit will probably result in a compromise rather than in a total rejection of the agreements.

2A The Cuban assistance includes construction workers, teachers, medical personnel, political and economic advisers, and other specialists of various kinds. Cubans now are stationed throughout the country's 17 provinces and are assigned to every government ministry.

25X1

1 Cuban construction activity in Angola this year is expected to emphasize the repairing of war damage to roads and bridges. Levi Farah, chairman of the State Committee on Construction and supervisor of Cuban construction activities in Angola, has said that in 1979 the Cubans will do two-and-a-half times more construction work than last year.

18 January 1979

SECRET

1, 2 Still, many old difficulties remain, and new ones could surface. Despite their failure to support the general strike, the workers are restive in the face of their eroding purchasing power. If there is another upturn in the inflation rate, their frustration could reach the critical point. The left, weakened or not, will certainly continue to monitor popular sentiment with a view toward exploiting discontent when and where possible. Nor is Peru out of the woods financially; payment of its massive foreign debt has merely been postponed, not eliminated, and the size of foreign exchange earnings is heavily dependent on fluctuating world markets. [redacted]

25X1

1, 2 There is also at least some prospect that President Morales Bermudez will have to contend with a more assertive military high command. Several officers with strongly conservative views were recently elevated to top positions, and they may be less disposed than their predecessors to tolerate government temporizing. These officers were probably heartened by the performance of General Pedro Richter, who orchestrated the regime's tough approach to last week's strike. Officers of such persuasion could complicate Peru's delicate political situation if they begin to demand greater firmness in dealing with the political parties that are now drafting the constitution on which a civilian government will rest. [redacted]

25X1

1, 2 Finally, there are potential problems among the very political parties on which the success of the return to civilian government will ultimately rest. Many Peruvians are worried that the three-way split dividing the democratic parties, which so far dominate the constituent assembly, could turn into an unbreakable stalemate. The US Embassy, which sees only dim prospects for a united front among these three parties, also notes the absence of any nationally prestigious figure around whom a centrist political movement could coalesce. Thus, even with the boost of an important "victory" last week, the government is almost certainly aware of further difficulties and problems that could arise. [redacted]

25X1

25X1

18 January 1979

SECRET

2
4
6
25X1 Medical aid will also probably increase this year. Cuban health workers (doctors, nurses and technicians) are running the Angolan public health system and staffing most hospitals. They concentrate on disease prevention and vaccination programs, but also treat war casualties. Some of these medical personnel are recently graduated doctors who are serving their two-year obligatory rural service in Angola rather than at home. In a November interview, Dr. Narey Ramos, head of Cuban health personnel in Angola, said that there were more than 800 Cuban medical persons in Angola at that time. This is more than double the number serving in Angola in 1977. [redacted]

3
4
2
25X1 Education will be another area of increased Cuban involvement. In December, the Second Che Guevara Internationalist Teaching Brigade was preparing to leave Cuba. The first brigade, which arrived in Angola last spring, had nearly 800 members. The second group will also serve in Angola for two years. Although many of these "teachers" have just graduated from high school, they are well educated by Angolan standards. [redacted] 25X1

2
25X1 Havana also sponsors an extensive school program for Angolan students in Cuba. As of mid-1978, about 1,000 Angolans were studying on Cuba's Isle of Youth, and the total is expected to reach 2,500 sometime this year. Mozambican, Ethiopian and Tanzanian students also are enrolled in these work-study programs, which can last for several years. [redacted]

2
25X1 Cuban President Fidel Castro has several reasons for increasing his technical assistance program in Angola. For one, Cuba's reputation has been put on the line by its close identification with the Neto government. Cuban military and civilian advisers have been stationed in Angola for several years, and are intimately involved in the day-to-day running of the country. Moreover, Cuba receives some economic benefit from its technical assistance program. For example, it brokers Angolan coffee on the world market as payment for the teachers of the Guevara brigade, and earns additional hard currency from its sale of Angolan fish. Service in Angola also provides productive employment and on-the-job training experiences for Havana's young, highly motivated technicians. [redacted]

18 January 1979

SECRET

2a Castro seems to regard Angola as the perfect recipient for his foreign policy initiatives and would like to see it evolve into an example of what Cuba can accomplish when carrying out its "internationalist duty." He knows, however, that this will take many years and considerable effort to accomplish.

25X1

25X1

18 January 1979

SECRET

25X1

Jamaica: Opposition Protests

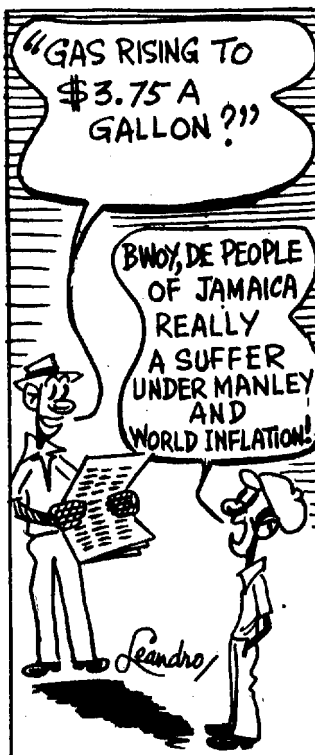
25X1

1
7
Demonstrations in Jamaica early last week initiated a well-organized opposition campaign that could lead to an early election and a change of government later this year. The moderately inclined opposition Jamaican Labor Party will continue its program of civil disobedience against Prime Minister Michael Manley, although it will probably not return to the streets in the immediate future.

The Demonstrations

1, 2, 3, 4
The opposition party has shown that it now has the support needed to shut down the major sectors of Jamaica's troubled economy. The large-scale but controlled demonstrations of 8-10 January interrupted urban business activity in Kingston, in the key resort city of Montego Bay, and in the important inland market town of Mandeville. The protests disrupted tourism at the peak of the season and led to a sympathy strike by bauxite workers and Kingston's public utility workers.

25X1



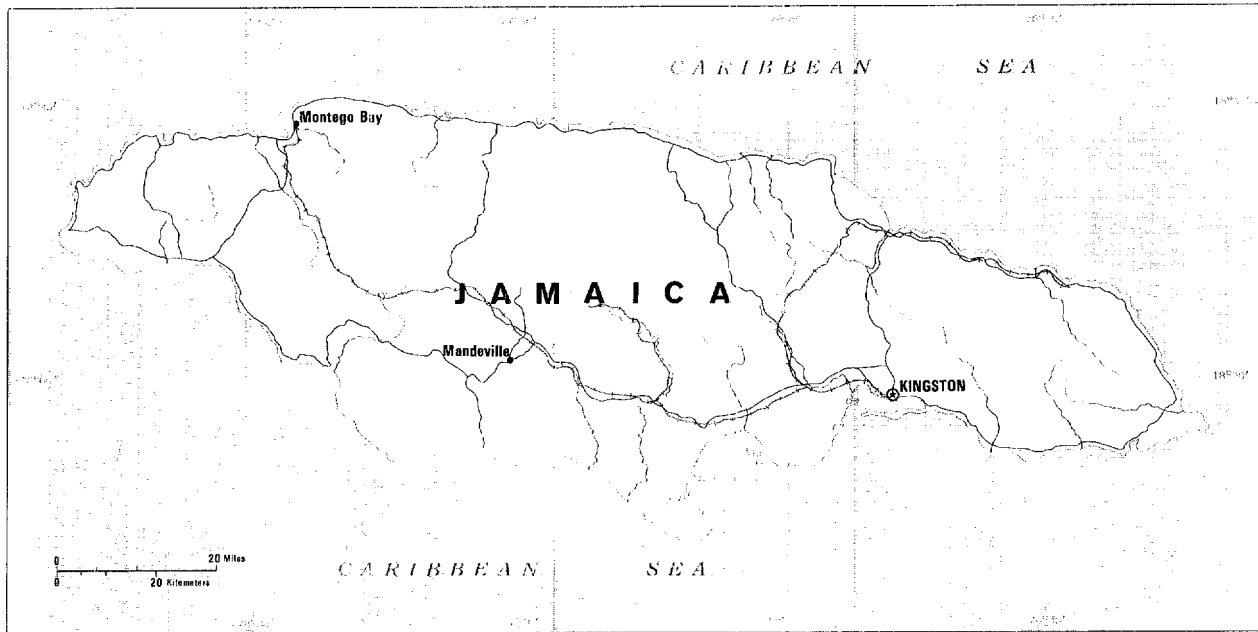
Kingston Press spoof of rumored gas price hike

The demonstrations stemmed from widespread disapproval of Manley's economic mismanagement, but were triggered by press reports of an impending sharp rise in petroleum prices. Opposition party leaders claimed that the government could absorb the recent OPEC price hike because more than 50 percent of the local cost of petroleum is attributable to a heavy sales tax. In the past year, Jamaican retail gasoline prices--now about \$1.87 a gallon--have been among the highest in the world.

25X1

The demonstrations took Manley by surprise, even though the Jamaican Labor Party announced its policy of

18 January 1979



5, 7
civil disobedience last October and called openly for resistance to the oil-price increase early this month.

[REDACTED]

25X1

2, 6
7, 8
Although his moderate advisers opposed violence and eventually restrained the government's reaction, Manley had already ordered ruling-party supporters--in league with thugs from the island's major Communist party--to break up the peaceful demonstrations. According to press reports, at least seven Jamaicans, including several policemen, were killed in the protests.

[REDACTED]

Manley's Position

7
Manley's problems stem largely from his failure to halt a steady economic decline during his nearly seven years in office. Although factors beyond his control have aggravated the deterioration, most Jamaicans blame his mismanagement. The Prime Minister's leftist inclinations and his strong ties to ruling party radicals have alienated the private sector and have helped drive out the professionals and technically skilled persons needed to achieve a turnaround. Since the 1973-74 world oil crisis, the Jamaican economy has experienced the sharpest sustained decline of any less developed country.

7
Manley's stock has declined further since last May, when he agreed to tighten austerity measures required to qualify for a three-year IMF loan. A series of subsequent devaluations, sharply rising food prices, chronic shortages, and continued high unemployment--now about 30 percent of the labor force--have greatly eroded Manley's working-class power base. The Prime Minister, moreover, has little chance of recovering support during the long period of IMF-inspired austerity.

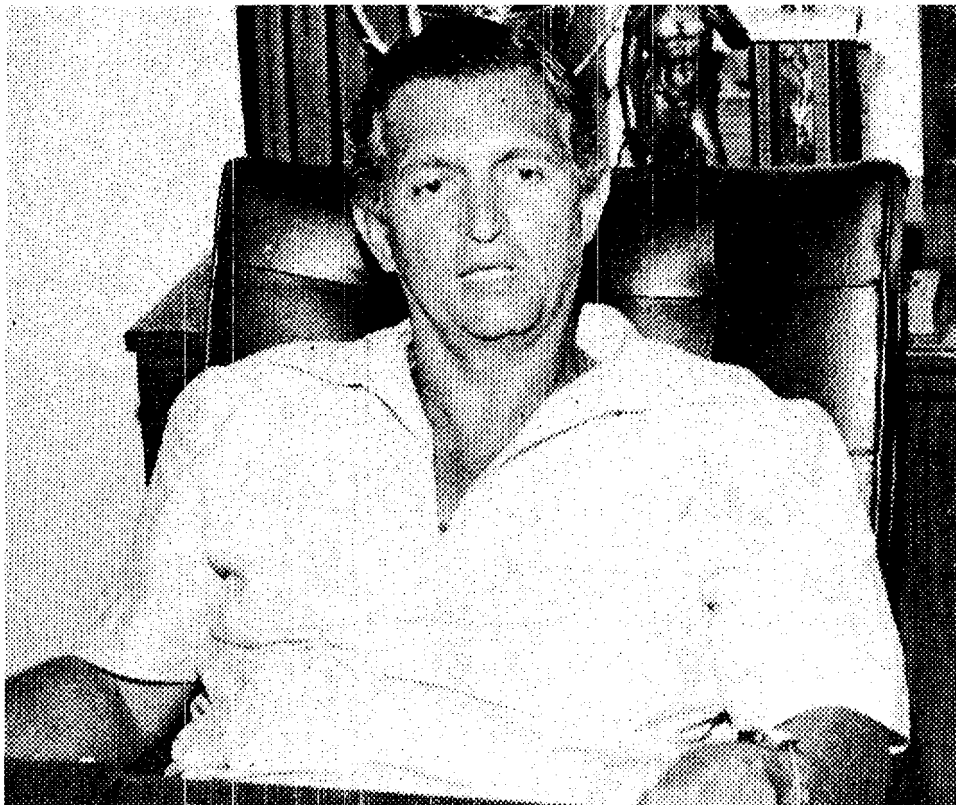
25X1

18 January 1979

SECRET

The Jamaica Labor Party

7 The opposition party has apparently overcome its longstanding leadership and organizational problems. Its leader, Edward Seaga, has until recently had little influence with the party's indispensable union affiliate, which is controlled by a well-liked, but often ineffective, former prime minister. Since last November, however, Seaga has increasingly dominated the party, which has closed ranks and won some important concessions from Manley--including an agreement for major electoral reforms.



Opposition Leader Edward Seaga

7 A Harvard-educated sociologist and a sharp economist, the 48-year-old Seaga has a cold and rigid personality that does not project well to an electorate accustomed to personal politics. He is of white Lebanese ancestry, which has identified him with Jamaica's

18 January 1979

SECRET

SECRET

unpopular elite and has made him unacceptable to many of the island's mostly Afro-Jamaican leaders. In addition, he has been pursued by lingering rumors of corruption and ruthlessness and by a well-deserved reputation for early radical inclinations. [REDACTED]

25X1

7 Nevertheless, Seaga's widely acknowledged abilities as an economist and administrator have greatly enhanced his political stature in the past year. Although he would not alter Manley's basic policies of state capitalism and nonalignment, most Jamaicans apparently believe that the former Finance Minister is better equipped than Manley to implement the IMF agreement and restore the confidence of the private sector. According to reliable polls, Seaga would win an election held today. [REDACTED]

25X1

Prospects

7 The trends favoring Seaga's rise and Manley's continued decline will almost certainly continue. The Jamaican Labor Party will continue to use civil disobedience selectively to upset Manley's policies but will act with restraint--as it did last week--to avoid a backlash from Jamaica's conservative middle class. As the Prime Minister implements austerity measures to meet rigid IMF tests, he will have even less room to maneuver. If Jamaica cannot meet the next series of tests in March--which is a strong possibility--the resulting crisis could cause major resignations from the cabinet and stepped-up opposition demands for early elections. [REDACTED]

25X1

7 Manley's bid for a third successive term would be unpromising even in better times. Neither of Jamaica's two major parties has ever accomplished it, primarily because their near even balance in popular support requires only a slight swing to change governments, and because the island's limited resources give the party in power inadequate funds to deal with high voter expectations. The times are particularly bad for Manley, however, and he will have serious and increasing difficulty just holding on until the end of his second term in 1981. [REDACTED]

25X1

SECRET

SECRET

FOR THE RECORD [REDACTED]

25X1

BRAZIL:* The government's import substitution drive, pushed since the 1973-74 oil crisis, has met with considerable success. Manufactured imports (about 60 percent of total imports) have dropped 24 percent in real terms in 1976-78--against a 20-percent expansion of real non-agricultural GDP in this period. A 46-percent fall in capital goods imports accounted for most of the import decline. Progress in import substitution is now slowing. In the case of machinery and equipment, the economy's ability to produce high-technology goods is still limited, and the comparatively small size of the Brazilian market discourages investment in certain equipment lines. In the case of intermediate goods such as steel and chemicals, ongoing investment projects will lead to reduced import requirements, but the projects will be slow in coming on stream. Thus, beginning in 1980, Brazil will have to increase imports of intermediate goods substantially if real economic growth is to be sustained at the present 5- to 6-percent rate. [REDACTED]

25X1

CHILE: Chilean labor leaders who are spearheading the drive for an international trade boycott of the Pinochet regime have not yet reacted to this week's decision by ORIT, the Inter-American Regional Labor Organization, once again to defer further action. ORIT had originally authorized the boycott--which is to include Nicaragua and Cuba along with Chile--at a conference in Lima late last year. ORIT leaders were apparently seriously divided over the issue of whether or not more time was actually needed to plan an effective boycott. The Chilean Government, encouraged by the indecision displayed by its more vocal international critics, will proceed with its controversial plans for guiding the reemergence of trade union activities in Chile.

18 January 1979

SECRET

Secret

Secret

Page Denied

Next 8 Page(s) In Document Denied